

News Release

Department of the Treasury Internal Revenue Service

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Washington, DC 20224

For Release: 12/13/84

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IR-84-129

Washington, D.C. -- The Internal Revenue Service today announced that partnerships using the "interim-closing-of-the-books" method to take into account the varying interests of partners during a taxable year will be permitted to use a semi-monthly convention.

Section 706 of the Internal Revenue Code, as amended by the Tax Reform Act of 1984, generally provides that if during any partnership taxable year there is a change in any partner's interest in the partnership, each partner's distributive share of partnership items for that year shall be determined by any method prescribed by regulations that takes into account the partners' varying interests in the partnership during such year.

Under a semi-monthly convention, this is determined by treating partners entering during the first 15 days of the month as entering on the first day of the month and partners entering after the 15th day of the month (but before the end of the month) as entering on the 16th day of the month, except to the extent section 706(c)(2)(A) of the Code applies. Partnerships that use the proration method will not be permitted to use a semi-monthly convention, but rather will be required to use a daily convention.

(More)

The IRS is preparing regulations that will address these and other issues under section 706, including the possible use of other conventions, and invites pre-publication comments from interested parties. The provisions of the news release will apply until regulations are issued.

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